



Mr. Robert deV. Frierson, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW.  
Washington D.C. 20551

Eric Heimbach, SVP, Director of Item Processing  
Arvest Bank Operations  
PO Box 799  
Lowell, AR 72745

Re: Docket No. R-1409 and RIN No. 7100 AD 68

April 18, 2014

Dear Mr. Frierson,

Arvest Bank thanks you for the opportunity to submit comments to proposed changes to Regulation CC by the Board of Governors of the Federal Reserve System. Our bank assembled a group of senior operations officers to discuss the proposed changes to the regulation and to comment our thoughts and concerns with the proposals. This group included:

Karen Clark  
Senior Deposit Operations and Support Manager  
30 years of operations experience

Sheri Habermehl  
Asst Deposit Operations and Support Manager  
35 years of operations experience

Teresa Cheek  
Director of Deposit and Customer Loss Prevention and Recovery  
25 years of operations experience

Eric Heimbach  
Director of Item Processing  
28 years of operations experience

As an early adopter of Check Clearing for the 21<sup>st</sup> Century Act (Check 21) our bank utilizes all of the Fed Image Products. The operational efficiencies that have resulted from the adoption of Check 21 have been beneficial to our bank and to the banking industry as a whole. We fully support the Federal Reserve providing incentives to banks that have not wholly adopted Check 21 to fully integrate the banking system into electronic check collections and returns. We feel strongly that any additional processing costs that are borne by the Fed should be shouldered by

the banks that have not adopted imaging technology. This will shift the extra expense from the banks that have fully implemented Check 21 and provide an incentive to the remaining "paper processing banks" to finish the conversion electronic check collection and return environments.

We are submitting comments to the proposed changes that we feel are warranted or where we feel there should be clarification. We fully support the changes as proposed on which we have not specifically commented.

Our comments are from the perspective of operations personnel who have a combined 118 years of banking experience with an emphasis on the payments system. Our experience in the day to day operations in the clearing of checks, day two operations, and the risk areas; gives us an in-depth and practical knowledge of check and image processing. We feel this allows us to give an expert opinion to the comments made on behalf of Arvest Bank.

Sincerely,



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Eric F. Heimbach, SVP  
Director of Item Processing

Cc: Karen Clark  
Teresa Cheek  
Sheri Habermehl

Attachment

**Comments on Docket No. R-1409 and RIN No. 7100 AD 68  
Proposed Changes to Subpart C of Regulation CC  
From Arvest Bank Operations, Inc.**

**Change to the Expeditious Returns Requirement in Section 229.30**

**Returns Option 1**

We support the implementation of Returns - Alternative 1 which is intended to impose incentives on depository banks to accept electronic returns by eliminating the expeditious-return requirement. We feel it is important that paying banks continue to be subject to the UCC's midnight deadline for returning checks. As this will insure the returns system continues to clear return items timely for all banks utilizing the Fed Receipt Returns Image Cash Letter product or clear directly through interbank agreements.

We support the requirement that banks returning paper must provide notification of returns for all items they return, regardless of dollar amount. The delay in the receipt of paper return items in today's electronic environment puts all paper returns at risk of timely presentment due to the delay in the delivery of paper items.

In addition we believe that all banks, whether returning with paper or electronically, should continue to provide the notice-of-nonpayment for return items in amounts greater than \$2,500. The advanced notification of high dollar returns is a valuable loss-prevention tool in our bank's risk mitigation processes.

As an additional incentive to encourage banks to receive electronic returns, we propose sun setting the current pricing model of charging the returning banks for the cost of substitute check and PDF endpoint items. The additional expense of handling paper should be borne by the depositing banks which do not participate in the Image Cash Letter environment. This additional expense should further encourage the conversion to receipt of electronic returns in-lieu-of paper, and continue to expedite and improve the returns process for all banks. We respectfully submit that the Fed should have a base image returns product and paper return items should be charged as a premium product similar to courtesy presentment.

**Proposed expansion of Section 229.34 (g)  
Truncating Bank Indemnity related to Remote Deposit Capture (RDC) services**

We support the Fed's proposed indemnification standards in Section 229.34(g).

We would like further clarification of the warranty applied when a check is deposited at multiple banks via RDC, then presented to the paying bank via image cash letters. What is the responsibility of the multiple BOFD's when these items are presented to the paying bank?

Example 1:

A \$100.00 check is deposited via RDC at three depositing banks, Bank A, Bank B, and Bank C. All three of these banks forward the item electronically for payment to the paying bank, Bank D.

Will the proposed rule allow the paying bank to return the duplicate items to any of the depositing banks or to all the depositing banks?

A similar scenario is when an item is presented via RDC to multiple BOFD's and the original is deposited as a paper item at the paying bank. In this case, which BOFD receiving the check via RDC is responsible for the warrantee as presented in this proposed indemnification?

Example 2:

A \$100.00 check is deposited via RDC at three depositing banks, Bank A, Bank B, and Bank C. All three of these banks forward the item for payment to the paying bank, Bank D. The original item is then deposited over the counter at Bank D. Will the proposed rule allow the paying bank to return the duplicate items to any of the depositing banks or to all the depositing banks? Our understanding of the proposed indemnity rule is Bank D will be able to return the items previously presented at Bank A, Bank B, and Bank C.

### **Proposed change to the definition of a Remotely Created Check (RCC)**

We do not see a need to narrow the definition of a remotely created check. Due to the fact that there is no discerning difference on RCC's created by payees, their agents, or third party providers that are agents of the bank, we believe that further narrowing the definition of a remotely created check will lead to confusion in the handling of these items. Arvest has not had any significant issues with any warranty claims when returning RCC's and we believe the current definition is adequate as it stands in Reg. CC today.